DOCUMENT RESUME

ED 310 221 UD 026 977

AUTHOR Lazere, Edward B.; Leonard, Paul A.
TITLE The Crisis in Housing for the Poor: A Special Report on Hispanics and Blacks.
INSTITUTION Center on Budget and Policy Priorities, Washington, DC.
SPONS AGENCY Edna McConnell Clark Foundation, New York, N.Y.
PUB DATE Jul 89
NOTE 55p.
AVAILABLE FROM Center on Budget and Policy Priorities, 236 Massachusetts Avenue, NE, Suite 305, Washington, DC 20002.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS *Blacks; Census Figures; Family Financial Resources; *Hispanic Americans; *Housing Deficiencies; *Low Income Groups; *Low Rent Housing; Poverty; *Racial Differences; Residential Patterns; Statistical Analysis; Welfare Services; Whites

ABSTRACT

Housing has become an increasingly unaffordable commodity for most low income Black and Hispanic households. A comprehensive set of data on housing conditions nationwide was collected by the Bureau of the Census and the U.S. Department of Housing and Urban Development (HUD) as part of the American Housing Survey for 1985. The following key findings are discussed: (1) three out of four Black and Hispanic households paid more than 30 percent of their household incomes for housing; (2) minority households are more likely to bear high housing costs than White households; (3) Hispanics and Blacks are less likely to be homeowners than Whites; (4) the problems faced by all poor households in finding affordable housing have increased appreciably since 1970; (5) a sharp increase in the number of poor families, a substantial reduction in the number of low rent units in the housing stock, and a resulting increase in rental charges have created an increased shortage of low rent housing since 1978; (6) the poor are more likely to live in substandard housing than the non-poor; (7) a substantial number of poor households live in overcrowded conditions; (8) government assistance is available for fewer than 29 percent of poor renter households; (9) minority housing problems vary by region; and (10) poor Black and poor Hispanic households are less likely than poor White households to be headed by an elderly person and are more likely to have children. Statistical data are included on six graphs and five tables. A list of 21 notes is appended. (FMW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

8.7.89

ED310221

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY
Richard Civille
Center on Budget and Policy Priorities
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

THE CRISIS IN HOUSING FOR THE POOR:
A Special Report on Hispanics and Blacks

Edward B. Lazere
Paul A. Leonard

CENTER ON BUDGET AND POLICY PRIORITIES
Washington, D.C.

UD 026 977

BEST COPY AVAILABLE

THE CRISIS IN HOUSING FOR THE POOR:
A Special Report on Hispanics and Blacks

Edward B. Lazere
Paul A. Leonard

CENTER ON BUDGET AND POLICY PRIORITIES
Washington, D.C.

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a nonpartisan, nonprofit research organization that studies government spending and the programs and public policy issues that have an impact on low income Americans. The Center is funded by grants from foundations.

Board of Directors

Richard C. Atkinson
University of California,
San Diego

Angela Glover Blackwell
Urban Strategies Council

Barbara B. Blum
Foundation for
Child Development

Marian Wright Edelman
Children's Defense Fund

David de Ferranti
The World Bank

Arthur S. Flemming
Former Secretary of
Health, Education and
Welfare

John D. Kramer
Tulane Law School

Eleanor Holmes Norton
Georgetown University
Law Center

William Julius Wilson
University of Chicago

Robert Greenstein
Executive Director

About the Authors

Edward B. Lazere is a research assistant at the Center on Budget and Policy Priorities. His research focus is on affordable housing and related issues. He is a co-author of *A Place to Call Home: The Crisis in Housing for the Poor*, a report on national housing conditions released by the Center in April, 1989.

Paul A. Leonard is a policy analyst at the Center on Budget and Policy Priorities. He directs the Center's housing policy project and has authored a series of reports on housing conditions for the poor in major metropolitan areas.

July 1989

Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

Contents

Preface v

Acknowledgements vi

Executive Summary vii

I. The Housing Cost Burdens of Hispanic and Black Households 1

II. The Growing Housing Affordability Crisis 9

III. Substandard and Overcrowded Housing Conditions 13

IV. Housing Assistance for the Poor 21

V. The Housing Problems of Hispanics and Blacks by Region 29

VI. Characteristics of Poor Households 33

VII. Conclusion 35

Notes 37

Figures & Tables

Figure 1
Housing Cost Burdens By Race, 1985 4

Figure 2
Homeownership Rates By Race -- 1985 5

Figure 3
Low Income Renters and Low Rent Units:
1970, 1978, and 1985 7

Figure 4
Rates of Overcrowding By Race, 1985 15

Figure 5
HUD and FmHA Low Income Housing
Net Additional Units, 1977 - 1989 21

Figure 6
Census Regions 29

* * * * *

Table I
Housing Cost Burdens of
Poor Households, by Race, 1985 3

Table II
Changes in Housing Cost Burdens, By Race, 1978-1985 10

Table III
Households Living in Substandard Conditions, By Race, 1985 15

Table IV.
Estimated Distribution of Housing Subsidies
by Household Income, 1988 27

Table V
Regional Distribution of Hispanic and Black Households, 1985 30

Preface

This report on the nation's low income housing conditions is based on data from the *American Housing Survey, 1985* (AHS) published in February 1989 by the Bureau of the Census of the U.S. Department of Commerce and the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development (HUD). This study is one in a series of reports of the Center on Budget and Policy Priorities on the housing conditions of the poor. In April 1989, the Center released *A Place to Call Home: The Crisis in Housing for the Poor*, a report on national housing conditions. The series also includes reports on housing conditions in selected metropolitan areas.

In years prior to 1984, data on housing conditions were published annually by the Census Bureau and HUD. Currently, such data are gathered and released every two years. However, due to a major restructuring of the survey after 1983, the release of the 1985 American Housing Survey was substantially delayed; its recent publication represents the first time in more than four years that comprehensive data on national housing conditions have been issued.

The 1985 AHS consists of nearly 500 pages of tables, providing a wealth of data on the nation's housing conditions. The new report includes housing data on households below the federal poverty line, the first time such data have been published. In the past, only unpublished Census data on poor households were available, and then only since 1978.

This study builds upon earlier analyses by the Low Income Housing Information Service, the National Low Income Housing Coalition, and housing consultant Cushing N. Dolbeare. It also incorporates data from sources other than the American Housing Survey, including the Census Bureau's Current Population Survey, the 1970 Census of Population and Housing, and federal budget documents.

Acknowledgements

This report would not exist were it not for the efforts of many of the staff at the Center on Budget and Policy Priorities. Most critical were the efforts of the Center's director, Robert Greenstein, who provided outstanding substantive and editorial guidance. In addition, Art Jaeger, Keith McKeown, and Cathy Carr made valuable contributions at various points in the editorial and production process. Finally, a special thanks to Richard Civille for his skillful preparation of the final document for publication.

Various individuals outside the Center provided their expertise as well. Many aspects of this report, especially the section on federal housing assistance, rely on previous work conducted by Cushing N. Dolbeare for the Low Income Housing Information Service.

The Center on Budget and Policy Priorities is grateful to the Edna McConnell Clark Foundation whose support made preparation and publication of this report possible.

The authors wish to thank all those who contributed to this report. We also claim sole responsibility for the analysis herein and any errors that may remain.

Executive Summary

In February 1989, the U.S. Bureau of the Census and the U.S. Department of Housing and Urban Development (HUD) issued the first comprehensive set of data in more than four years on housing conditions nationwide. These data, collected as part of the American Housing Survey (AHS) for 1985, show that most poor Hispanic and black households in the United States pay extremely large portions of their limited incomes for housing costs.

Under standards established by HUD, housing is considered affordable for a low income household if it consumes no more than 30 percent of the household's income. Yet the data released reveal that more than three of every four poor Hispanic and black households paid more than 30 percent of income for housing in 1985. The new data show that:

- Some 40 percent of the nation's poor Hispanic households -- and some 37 percent of the poor black households -- paid *at least 70 percent* of income for housing costs (rent or mortgage, utilities, and other expenses) in 1985.

- Nearly three of every five (59 percent) poor Hispanic households, and more than half (54 percent) of all poor black households, paid at least 50 percent of income for housing.

- Some 79 percent of poor Hispanic households and 77 percent of poor black households -- or 1.1 million poor Hispanic households and 2.3 million poor black households -- paid at least 30 percent of income for housing, or more than the amount considered affordable under the federal standards.

- The typical (or median) poor minority household had an income of less than $5,000 in 1985 and spent 57 percent of its income on housing.

It is important to note that the housing cost burdens of poor white households are as severe as those borne by poor Hispanic and black households. Thus, housing affordability is a crisis that affects *all* poor households, regardless of race.

- In 1985, some 82 percent of poor white households spent at least 30 percent of their income for housing, compared with 79 percent of poor Hispanic and 77 percent of poor black households.

- More than half of poor white households (57 percent) spent 50 percent or more of their income for housing, as did 59 percent of poor Hispanic households and 54 percent of poor black households.

The Housing Cost Burdens of All Hispanic and Black Households

Although the housing cost burdens of poor white households are as severe as the burdens of poor Hispanic and black households, Hispanics and blacks are much more likely to be poor than are whites -- and therefore are more likely to face the high housing cost burdens associated with poverty.

Because poor households generally spend a greater proportion of their income on housing than do non-poor households, and because Hispanics and blacks are more likely than white households to be poor, minority households are more likely to bear high housing cost burdens.

- In 1985, some 42 percent of all Hispanic and black households spent at least 30 percent of their income on housing, thereby exceeding the federal affordability standard.

- By contrast, some 27 percent of white households had housing costs of this magnitude.

Hispanics and Blacks Less Likely To Be Homeowners

Hispanics and blacks are less likely to own their homes than are whites, which further contributes to their high housing cost burdens. At income levels below $40,000, renters typically have higher housing cost burdens than do

homeowners. Hispanic and black households are typically renters; white households are typically homeowners.

- In 1985, some 40 percent of all Hispanic households and 44 percent of all black households were homeowners. In contrast, more than two-thirds of all white households -- 68 percent -- owned their homes.

- In fact, the proportion of *poor* white households that own their homes -- 46 percent -- is greater than the proportion of *all* black and Hispanic households that own their homes.

Increases in Housing Cost Burdens Since the 1970s

The problems faced by poor households of all races in finding affordable housing have worsened appreciably since the 1970s. This can be seen by comparing the number of households with low incomes to the number of low rent units in the housing stock.

- In 1970, the number of rental units that rented for no more than 30 percent of the income of a household earning $10,000 a year (i.e., for no more than $250 a month) was approximately 2.4 million *greater* than the number of renter households with incomes at or below this level. (All figures for incomes and rents for years prior to 1985 are adjusted for inflation to be comparable to 1985 dollars.)

- In 1985, by contrast, there were nearly 3.7 million *fewer* units renting for no more than $250 a month than there were households with incomes at or below $10,000.

- Some 11.6 million renter households had incomes of $10,000 or less in 1985, but only 7.9 million units rented for $250 a month or less. These data reflect a sharp change in the low income housing market since the 1970s.

Factors Contributing to the Affordable Housing Squeeze

The increase in the shortage of low-rent housing since 1978 can be attributed primarily to a sharp increase in the number of poor families, a substantial reduction in the number of low rent units in the housing stock, and a resulting increase in rental charges.

- Between 1978 and 1985, the number of poor households rose 25 percent, from 10.5 million households in 1978 to 13.3 million in 1985.

- During this period, the number of poor Hispanic households grew by 492,000 -- or 54 percent -- to 1.4 million households.

- The number of poor black households increased by 877,000 -- or 34 percent -- to 3.4 million in 1985.

While the number of poor households has increased, the number of units renting for $250 or less (30 percent of a household's income at the $10,000 income level) has declined. There were 9.7 million such units in 1970, but only 7.9 million in 1985. This represents a loss of 1.8 million low-rent units from the housing stock, a 19 percent decline.

A growing number of poor households competing for a shrinking number of low-cost units has contributed to increasing housing costs for the poor. From 1978 to 1985, the housing costs of the typical poor renter household jumped 16 percent, after adjusting for inflation.

These increases in housing costs have combined with the growth in the number of low income households to drive housing out of the affordable range for many poor households. Because the proportion of the minority population that is poor is so much larger than the proportion of the white population that is poor -- and because the sheer numbers of Hispanic and black poor have grown at such a rapid rate -- Hispanic and black communities have been affected to a greater degree than white communities by the growing crisis in housing affordability.

- For the typical Hispanic household (including both poor and non-poor households, and both owners and renters), income remained flat between 1978 and 1985, after adjusting for inflation. However, housing costs rose 13 percent during this period.

- Similarly, for the typical black household, income *dropped* three percent, while housing costs jumped 15 percent.

- For the typical white household, by contrast, income and housing costs rose at nearly the same rate between 1978 and 1985, as income rose two percent and housing costs increased six percent.

As a result, the housing cost burdens of Hispanic and black households (i.e., housing costs measured as a percentage of income) rose more rapidly during this period than did the housing cost burdens of white households.

Substandard Housing

Not only do the poor pay much higher proportions of income for housing than the non-poor, but they also are more likely to live in housing with moderate or severe physical problems. These problems are extremely widespread among Hispanics and blacks.

Some 2.7 million poor households -- including Hispanic, black, and white households -- lived in substandard housing in 1985.

- One of every five poor households lived in housing that HUD classified as having physical deficiencies.

- By contrast, one in sixteen non-poor households lived in housing units with deficiencies.

Hispanic and black households represented a disproportionate share of the households occupying substandard housing units.

- Blacks and Hispanics constituted 17 percent of all households in 1985, but 42 percent of the households living in substandard conditions.

- Furthermore, blacks and Hispanics occupied 57 percent of the units with evidence of rats, 51 percent of units with holes in the floor, and 35 percent of those with peeling paint or broken plaster.

In addition, *poor* black and Hispanic households were more than twice as likely as *poor* white households to live in substandard housing.

- Some 33 percent of poor black households and 27 percent of poor Hispanic households lived in substandard housing in 1985. In contrast, 14 percent of poor white households lived in such conditions.

- In fact, the proportions of *non-poor* black and *non-poor* Hispanic households living in substandard conditions were greater than the proportion of *poor* white households living in such conditions.

Poor renters who live in public housing are less likely to occupy substandard housing than are poor renters who receive no housing assistance. (This matter is explored further in the report.) At the same time, a substantial number of public housing units are old and in need of major repairs.

Black and Hispanic households have been disproportionately affected by this deterioration of many public housing units. While blacks and Hispanics represent 17 percent of all U.S. households, they constitute more than half (54 percent) of public housing tenants. Consequently, improving the quality of public housing would significantly improve the housing conditions of poor black and Hispanic renters. The federal government is supposed to provide operating subsidies to public housing authorities to make up the difference between the rents that public housing occupants pay (which equal 30 percent of their adjusted incomes) and the costs of operating the units. However, the federal subsidies have been insufficient to cover the costs of major repairs. As a result, many public housing units have deteriorated over time.

A major study conducted under contract with HUD found that more than half of all public housing tenants in 1985 lived in projects needing moderate to substantial rehabilitation just to meet HUD's minimum quality standards. The study reported that the costs for major capital repairs (such as roofs and boilers) needed to bring public housing units up to HUD's quality standards exceeded $20 billion.

However, Congress appropriated just $1.65 billion for this purpose in fiscal year 1989, and the Bush administration has proposed to cut funds by nearly 40 percent -- to $1 billion in fiscal year 1990.

Overcrowded Conditions

In addition to occupying substandard or deteriorating units, a substantial number of poor households also live in overcrowded conditions. A housing unit is considered overcrowded if it houses more than one person per room. Poor households are more than three times as likely as non-poor households to live in overcrowded conditions.

Here, too, poor Hispanic and black households are more likely to live in such conditions than are poor white households. More than one in six poor Hispanic households (17 percent) lived in overcrowded conditions in 1985, as did one in nine poor black households (11 percent). In comparison, fewer than one in twenty poor white households (four percent) lived in such conditions.

A very large majority of the low income households that live in substandard or overcrowded conditions also pay large proportions of their incomes for the inadequate housing they occupy. As a result, for large numbers of poor households -- including many Hispanics and blacks -- housing is neither decent nor affordable.

Gaps In Government Assistance

For most poor households overburdened by high housing costs, government assistance through subsidized housing programs is not available. The low income housing programs are *not* entitlement programs, and funds are sufficient to serve only a small fraction of the poor. Fewer than one in three poor renter households (29 percent) received any kind of federal, state or local rent subsidy or lived in public housing in 1987, the most recent year for which data are available.

Moreover, federal housing programs have been subject to sharp reductions over the past decade. The best measure of trends in federal low income housing assistance is the change over time in the number of additional low income households assisted each year through federal housing programs. As noted above, the number of low income renter households in the country has burgeoned over the past decade, while the number of low rent units has declined. As a result, the number of households aided through government housing programs must rise substantially each year just to keep the shortage of affordable housing from growing larger.

Since the late 1970s, however, commitments to reach additional low income households through federal housing programs have been cut back severely.

- From fiscal year 1977 through fiscal year 1980, HUD made new commitments to provide federal rental assistance to an average of 316,000 additional households per year.

- In contrast, from fiscal year 1981 through fiscal year 1988, housing commitments were made to serve an average of only 82,000 additional households per year. The number of additional low income renters being provided housing assistance each year was cut by nearly three-fourths.

- Retrenchment also occurred in the number of additional low income households assisted each year through the rural housing programs of the Farmers Home Administration.

- Had the number of units added to the subsidized housing stock in the 1980s continued at the same rate as in the late 1970s, some 1.9 million more low income households would now be receiving housing assistance.

The steep decline in new federal low income housing commitments in the 1980s -- coming at a time of substantial growth in the number of poor households and of substantial decline in the privately owned stock of low rent housing -- has led to a large increase in the number of poor households that *do not* receive any housing assistance.

- In 1979, some four million poor renter households received no federal, state, or local housing assistance.

- By 1987, this number had grown to 5.5 million, an increase of more than one third.

- The number of poor Hispanic renters not receiving assistance grew from 461,000 to 897,000 during this period, *an increase of 95 percent,* while the number of poor black renters not receiving assistance grew from 1.1 million to 1.4 million -- an increase of 34 percent.

- In 1987, some 26 percent of Hispanic households were poor, but only eight percent of Hispanic households received housing assistance. Some 32 percent of black households were poor, but only 14 percent received housing assistance.

Not surprisingly, those poor households that do not receive housing assistance are far more likely to bear high housing cost burdens -- and to live in substandard housing -- than are poor households that do receive assistance.

In contrast to the decline in the federal commitment to low income housing assistance, there has been a substantial increase in a form of federal housing assistance that primarily benefits middle and upper income families. Each year the federal government provides billion of dollars in benefits to homeowners by allowing deductions -- primarily for mortgage interest payments and property taxes -- from the amount of income that is taxable by the federal government. Such subsidies that result from tax deductions, credits or other tax breaks are called "tax expenditures."

- In fiscal year 1988, direct spending on federal low income housing assistance programs was $13.9 billion. In that same year, federal tax expenditures for housing totalled $53.9 billion.

As a result, federal housing subsidies are strongly tilted toward those who already are most affluent. The number of households with incomes below $10,000 a year is nearly the same as the number of households with incomes over $50,000 a year. Yet the total amount of federal subsidies (from both subsidized housing

programs and tax benefits) going to the higher income group is more than three times the amount going to the lower income group.

Hispanic and black households are more likely than white households to have low incomes -- and are less likely to be in the high income group. As a result, they are less likely than white households to receive housing assistance from the federal government, when both direct low income housing assistance and housing-related tax expenditures are considered.

Housing Problems Of Minorities Vary By Region

Nearly three of every four Hispanic households live in the South (which includes Texas) or West. However, Hispanic households that are *poor* are nearly equally divided between the West, South, and Northeast, due to high rates of poverty among Hispanics living in the Northeast (who are predominantly Puerto Rican).

The highest concentration of black households is in the South. Some 52 percent of all black households -- as well as 52 percent of poor black households -- live in the South.

Households living in the South are those most likely to reside in substandard housing. This is true for Hispanics, blacks, and whites.

- Some 30 percent of all black households living in the South in 1985 occupied substandard housing, compared with 20 percent of black households in the Northeast and 10 percent of black households in the Midwest and West. Of all black households occupying substandard housing nationwide, some 70 percent live in the South.

- More than one in four Hispanic households in the South (26 percent) live in substandard housing, as do nearly one in four Hispanic households (24 percent) in the Northeast. By comparison, one of nine Hispanic households in the West (11 percent) lives in substandard housing. Of those Hispanic households that occupy substandard housing nationwide, nearly half (47 percent) live in the South.

- Some nine percent of white households living in the South occupy substandard housing, compared with five percent of white households in the Northeast and four percent in the West and Midwest. Nearly half of the white households living in substandard housing -- 49 percent -- live in the South.

Hispanics who live in *overcrowded* conditions, however, are most likely to live in the West. One in every six Hispanic households in the West lived in overcrowded conditions in 1985, a higher overcrowding rate than in any other region. More than half (51 percent) of all Hispanic households living in overcrowded conditions resided in the West.

Characteristics of Poor Minority Households

Poor Hispanic and black households were less likely than poor white households to be headed by an elderly person and were more likely to have children.

- In 1985, more than one in three poor white households were headed by an elderly person, compared with one in five poor black households and one in six poor Hispanic households.

- Nearly two of every three poor white households had no children living with them. In comparison, 56 percent of poor black households had children living with them, as did 65 percent of poor Hispanic households.

Poor black, Hispanic and white households also differed in their proportions of married-couple and female-headed households. Of the poor white households of two or more people, some 64 percent were married-couple families or male-headed families. Similarly, a majority of poor Hispanic households of two or more people -- 55 percent -- were headed by a married couple or a man. By contrast, some 69 percent of poor black households of two or more persons were female-headed.

* * * * *

For most low income households, housing has become an increasingly unaffordable commodity. With more than half of all poor households paying more than 50 percent of income for housing -- and with substantial numbers paying more than 70 percent -- little money remains for other necessities.

These high housing cost burdens have serious implications. The severe low income housing shortage is likely to have contributed substantially to the growing problem of homelessness. In addition, these high housing cost burdens are likely to have intensified other problems such as the incidence of hunger. The likelihood

that a poor household will be without adequate food for part of a month is considerably greater when the household's rent consumes so much of its income that too little money is left to buy food to last through the month.

Affordability is the most serious housing problem faced by poor households of all races -- including Hispanic, black, and white households. However, while poor Hispanic and black households bear housing cost burdens similar to those borne by poor white households, they are much more likely to live in units that are substandard or overcrowded than those occupied by poor white households.

Most important, Hispanic and black households are more than twice as likely to be poor as are white households, and therefore they face *all* of these housing problems – including high housing cost burdens – far more frequently than do their white counterparts.

The declining federal commitment to housing assistance for low income households has had a serious adverse impact on poor households. This impact has been felt with particular severity in the Hispanic and black communities, since a large portion of these communities consist of households that are poor and in need of such assistance.

The future now looks ominous for affordable housing for poor and minority households. Projections of national trends suggest that just as affordable housing problems worsened sharply for low income households between the mid-1970s and the mid-1980s, so too are they likely to deteriorate further in the years ahead unless major changes are made in government policies and in the actions of the private sector.

I. The Housing Cost Burdens of Hispanic and Black Households

Under standards established by the U.S. Department of Housing and Urban Development, housing is considered affordable for a low income household if it consumes no more than 30 percent of the household's adjusted income.[1] By this HUD standard, more than three of every four poor Hispanic and black households in the United States are unable to find affordable housing.[2]

Poor Hispanic and Black Households Face High Housing Cost Burdens

In 1985, there were 1.4 million poor Hispanic households and 3.4 million poor black households in the United States. (The poverty line in 1985 was $8,573 for a family of three.) A substantial number of these poor households devoted extremely large portions of their limited incomes to basic housing expenses (including rent or mortgage payments, utilities, property taxes and insurance, and home maintenance.)

In 1985, the typical (or median) poor minority household spent 57 percent of its income for housing.[3] In other words, half of all poor Hispanic and black households spent more than 57 percent of their income for housing, while the other half had housing cost burdens below this level.

Housing burdens were particularly severe among poor Hispanics.[4]

- Two of every five poor Hispanic households (40 percent) spent *at least 70 percent* of their income for housing.[5]

- Some 59 percent of poor Hispanic households paid at least half of their income for housing costs.

- Some 79 percent of poor Hispanic households -- or one million households -- spent 30 percent or more of their income for housing, thereby exceeding the amount considered affordable under the federal standard.

For poor black households, housing cost burdens were nearly as high.

- Some 37 percent of poor black households -- or 1.1 million households -- paid at least 70 percent of their income for housing costs.

- More than half of all poor black households (54 percent) spent at least half of their income for housing.

- Some 77 percent -- 2.3 million poor black households -- paid at least 30 percent of their income to cover housing costs.

These extremely high housing cost burdens leave most poor Hispanic and black households with little income for other living expenses. The typical poor Hispanic or black household had an income of less than $5,000 in 1985.[6] (An income of $5,000 in 1985 was equivalent to an income of about $5,500 in 1988, after adjusting for inflation.[7]) If a household had an income of $5,000 and spent 57 percent of its income for housing costs (as the typical poor minority household did in 1985), it would have only $180 per month -- or roughly $40 a week -- left for food, clothing, transportation, and other expenses.[8]

Poor White Households Face Equally Severe Housing Cost Burdens

It is important to note that housing affordability is a crisis that affects *all* poor households -- including Hispanic, black, white and other households.[9] As Table I reveals, more than three-fourths of all poor households bear "unaffordable" housing costs, and the housing cost burdens of poor whites are as severe as the burdens borne by poor Hispanics and blacks.

In fact, the proportion of poor white households with housing costs in excess of 30 percent of income slightly exceeds the proportion of poor Hispanic and black households with housing costs of this magnitude. Some 82 percent of poor white households spent at least 30 percent of their income for housing in

1985, compared with 79 percent of poor Hispanic and 77 percent of poor black households.[10]

Moreover, poor white households comprise a large proportion of the poor households that bear high housing cost burdens. In 1985, some 63 percent of all poor households were white. Correspondingly, some 64 percent of the poor households spending at least 30 percent of their income for housing were white.

Table I
Housing Cost Burdens of
Poor Households, by Race, 1985

	Paid 30% Or More	Paid 50% Or More
Hispanic	79.2%	58.9%
Black	76.5	53.8
White	82.1	57.4

Housing Cost Burdens of All Hispanic and Black Households

Yet while the housing cost burdens of poor white households are as high as those of poor Hispanic and black households, minority households still are disproportionately affected by high housing costs. This is true because Hispanics and blacks are much more likely than whites to be poor. Consequently, the extreme housing cost burdens associated with poverty affect a much larger proportion of the Hispanic and black populations than of the white population.

- More than one-fourth -- 28 percent -- of Hispanic households were poor in 1985. The income of the typical Hispanic household was $17,055 that year.

- Some 35 percent of black households were poor. The typical (or median) black household had an income of just $13,666.

- By contrast, some 11 percent of white households were poor, and the typical white household had an income of $24,156.

Poor households generally spend a greater proportion of their income on housing than do non-poor households. While 57 percent of all poor households spent at least half of their incomes on housing in 1985, only five percent of *non-poor* households had housing costs of this magnitude. The Census data clearly show that households at higher income levels spend substantially smaller proportions of their income on housing than do low income households.

Because Hispanic and black households are much more likely than white households to be poor, they are also much more likely to bear high housing cost burdens.

- In 1985, some 42 percent of *all* Hispanic households (both poor and non-poor households) had housing cost burdens that equalled or exceeded 30 percent of their income -- hence "unaffordable" under federal standards.

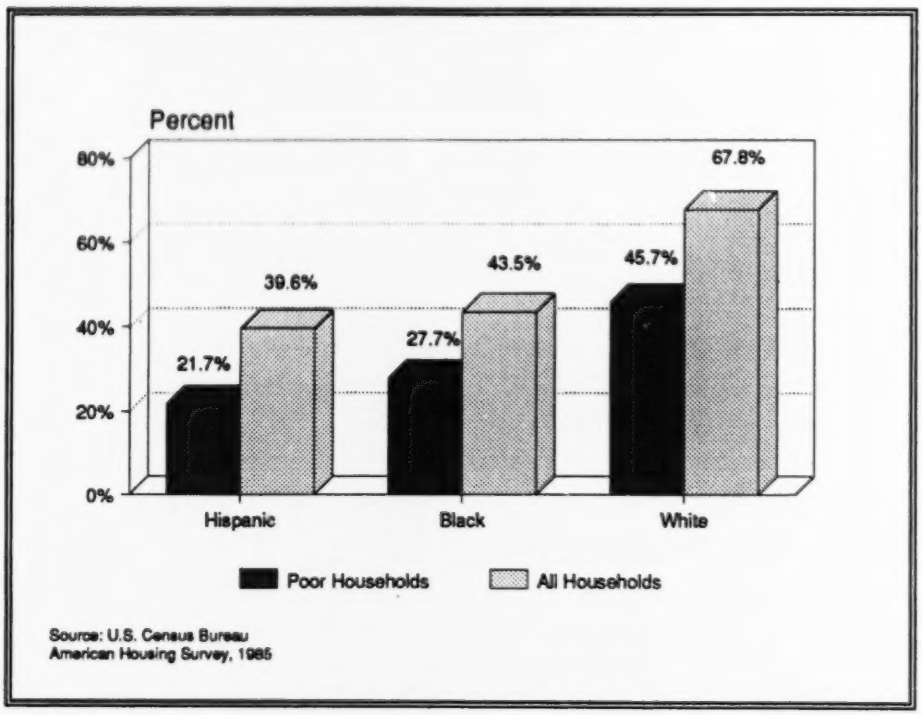
- Similarly, 42 percent of all black households paid 30 percent or more of their income on housing.

- In contrast, 27 percent of white households spent 30 percent or more of their income on housing.

A comparable problem holds when examining households with extremely high housing cost burdens -- housing costs equalling or exceeding 50 percent of income.

- Some 20 percent of all Hispanic households -- one in five -- paid at least half of their income for housing in 1985, as did 22 percent of all black households.

Figure 1
Housing Cost Burdens By Race, 1985



23

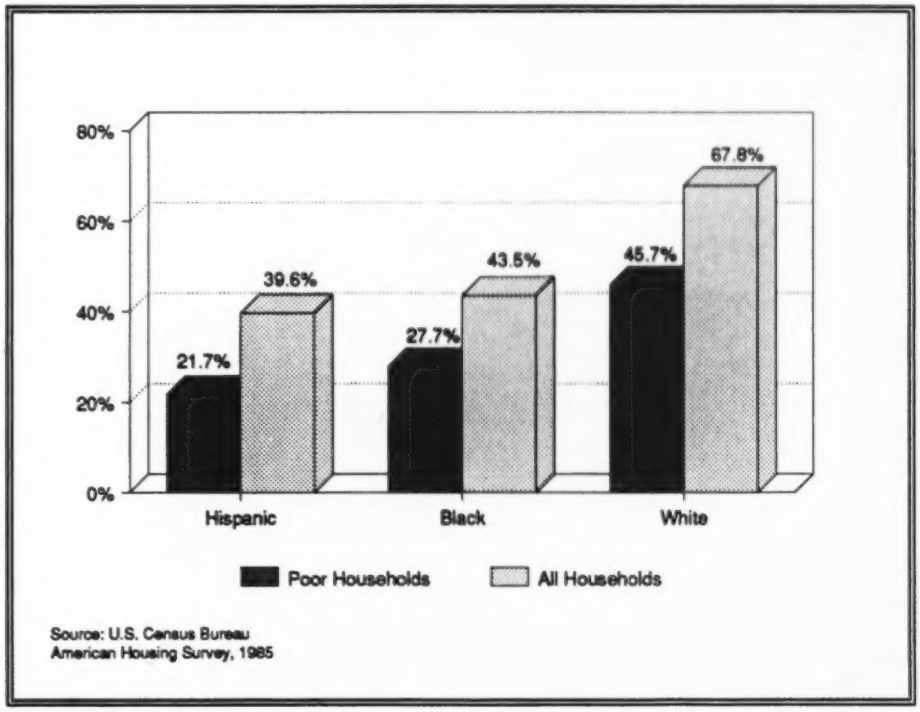
- In contrast, some 10 percent of all white households had housing cost burdens this high (See Figure 1)

The Census data also show that in 1985, the typical Hispanic household spent 26 percent of its income on housing and the typical black household spent 27 percent, while the typical white household spent 20 percent. The typical Hispanic and black households thus had housing cost burdens nearly one-third greater than those of the typical white household.

Hispanics and Blacks Less Likely To Be Homeowners

Hispanic and black households are less likely to own their homes than white households, which further contributes to their higher housing cost burdens. At income levels below $40,000, renters typically have higher housing cost burdens than homeowners.

Figure 2
Homeownership Rates By Race -- 1985



24

Hispanic households have particularly low rates of homeownership. Only two in five Hispanic households (40 percent) were homeowners in 1985. Just one in five (22 percent) *poor* Hispanic households owned their homes.

Among blacks, rates of homeownership were also low, though slightly higher than among Hispanics. Some 44 percent of black households owned their homes in 1985. Some 28 percent of *poor* black households were homeowners.

Homeownership rates are distinctly higher among white households. While Hispanics and blacks are typically renters, whites are typically homeowners. More than two-thirds (68 percent) of white households owned their homes in 1985. At every income level, white households are much more likely to be homeowners than are Hispanic and black households.

Moreover, the proportion of *poor* white households that own their homes -- 46 percent -- is greater than the proportion of *all* Hispanic and black households, both poor and non-poor, that own their homes. (See Figure 2)

II. The Growing Housing Affordability Crisis

Both the number and the percentage of all poor households -- including white, black, and Hispanic households -- that pay excessive proportions of their income for housing have grown sharply since the late 1970s, when housing data for poor households were first collected.

- In 1978, some 66 percent of poor households paid at least 35 percent of their income for housing. By 1985, some 74 percent of poor households had housing costs of this magnitude.[11]

- The number of poor households paying at least 35 percent of their income for housing grew during this seven year period by 2.8 million -- from 5.4 to 8.3 million households.

Low Income Housing: Supply and Demand

A useful way to examine the increasing affordability problems faced by low income households is to compare the number of households with low incomes to the number of low rent units in the housing stock. In this comparison, low income households are defined as those households with incomes of less than $10,000. Low rent units are those for which rent and utility costs equal no more than 30 percent of a $10,000 annual income. Thus, a low rent unit would be one that cost no more than $250 a month. (All figures for years prior to 1985 are adjusted for inflation to be comparable to 1985 dollars.)

In 1970, the number of low rent units in the nation exceeded the number of low income renter households. By 1978, the number of low cost housing units

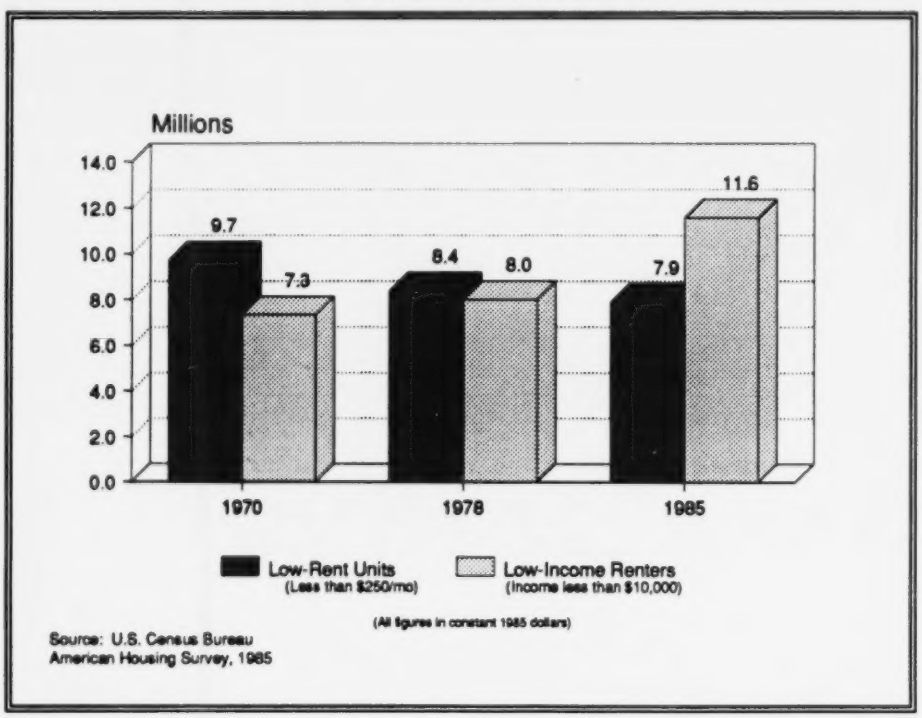
nearly matched the number of low income households. But by 1985, the number of affordable rental units had fallen far behind the number of low income households.

- In 1970, the number of low rent units was 9.7 million – approximately 2.4 million greater than the number of renter households with incomes of $10,000 a year or less.

- Between 1970 and 1978, there was a slight decline in the number of low cost units and a modest increase in the number of low income renter households. Despite these changes, *there were still 370,000 more low-cost units than low income households in 1978.*

- By 1985, however, there were *3.7 million fewer* low rent units than there were renter low income renter households -- 11.6 million renter households, but just 7.9 million low-rent units.

Figure 3
Low Income Renters and
Low Rent Units: 1970, 1978, and 1985



In just seven years from 1978 to 1985, the number of low rent units declined by half a million while the number of low income renters rose by 3.6 million. These data reflect a sharp change in the nation's low income housing market. (See Figure 3.)

Housing Cost Increases Have Been Largest for Hispanic and Black Households

While the housing cost burdens for all poor households have increased significantly since 1978, the housing cost burdens of poor Hispanic and black households have increased more sharply than those of poor white households. As Table II reveals, the housing cost burdens of poor minority households, and of poor Hispanic households in particular, have worsened appreciably since 1978.

Table II
Changes in Housing Cost Burdens, By Race, 1978-1985

Paid 35% or More Of Income	1978	1985	Point Change
Poor Households			
Hispanic	63.2%	75.9%	+12.7
Black	60.2	69.9	+9.7
White	68.9	75.3	+6.4
All Households			
Hispanic	25.3%	34.3%	+9.0
Black	27.6	34.5	+6.9
White	17.1	20.0	+2.9

Between 1978 and 1985, the proportion of poor Hispanic households with "unaffordable" housing costs (35 percent of income or more) grew from 63 percent to 76 percent, an increase of 13 percentage points. The proportion of poor black households bearing such costs rose by 10 percentage points, from 60 percent of poor black households in 1978 to 70 percent in 1985.

Poor white households also experienced rising housing cost burdens between 1978 and 1985, but the increases were not as sharp as those faced by blacks and Hispanics. The proportion of poor white households bearing housing costs in excess of 35 percent of income rose from 69 percent to 75 percent, an increase of six percentage points.

Similarly, as Table II shows, housing cost burdens for *all* minority households, including both the poor and the non-poor, rose more rapidly during this period than did the housing cost burdens of all white households. In 1978, the housing cost burdens of all Hispanic and black households were already significantly higher than those faced by white households. By 1985, this gap had become still larger.

The Causes of Increasing Housing Cost Burdens

A primary cause of increasing housing cost burdens among poor households of all races has been the rapid growth since 1978 in the number of households with incomes below the poverty line.

- Between 1978 and 1985, the number of poor households grew by more than 25 percent -- from 10.5 million to 13.3 million.

- During this period, the number of poor Hispanic households grew by 492,000 -- or 54 percent -- to 1.4 million households. The number of poor black households increased by 877,000 households -- or 34 percent -- to 3.4 million in 1985.

At the same time, the number of rental units available at rents affordable to poor and low income families has declined sharply since the early 1970s.

- Between 1970 and 1985, the number of rental units that cost no more than 30 percent of the income of a household earning $10,000 a year (i.e., that had rent and utility costs of no more than $250 a month) fell by 1.8 million units. (Incomes and rents are adjusted for inflation to be comparable to 1985.)

- In 1970, there were 9.7 million such rental units (occupied and vacant). By 1985, only 7.9 million such rental units were available -- a decline of 19 percent since 1970. (It should be noted that the decline in low cost rental units was greatest between 1970 and 1978, but that the loss of such units continued during the period from 1978 to 1985.)

Thus there was considerable growth in the number of poor households and a substantial decline in the number of low cost rental units available for these households. With a larger number of low income households competing for a smaller number of low cost units, it is not surprising that the Census data indicate that poor renters were forced to pay higher rents (adjusted for inflation) in 1985 than in the 1970s.

- In 1978, the typical (or median) poor renter household paid $229 a month for rent and utilities.

- By 1985, the typical poor renter paid $266 a month -- an increase of 16 percent, after adjusting for inflation.

Rising housing costs have combined with growing numbers of low income households to create a crisis in affordable housing. These developments have affected Hispanic and black households with particular severity, as the increases in housing costs experienced by minority households have outstripped the increased costs borne by white households.

- For the typical Hispanic household, including both poor and non-poor households, income was at the same level in 1978 as in 1985. However, housing costs increased 13 percent. (All figures are adjusted for inflation.)

- For the typical black household, income was three percent lower in 1985 than in 1978, after adjusting for inflation. However, housing costs for the typical black household rose by 15 percent.

- In contrast, the income of the typical white household grew by two percent (more than for either Hispanics or blacks), while housing costs climbed six percent (or less than half as much as the increases borne by typical Hispanic and black households).

III. Substandard and Overcrowded Housing Conditions

In addition to paying a large proportion of their incomes for housing, many poor households are also troubled by substandard or overcrowded housing conditions. These problems are especially widespread among minorities.

In 1985, one of every five poor households lived in substandard housing – that is, in housing units determined to have "moderate" or "severe" physical problems. (The classifications of substandard housing are established by the U.S. Department of Housing and Urban Development. See the box on the following page for the definitions of moderate and severe problems.) Some 2.7 million poor households lived in these conditions in 1985.

Poor households were more than three times as likely to live in substandard housing as were households that were not poor. Only six percent of non-poor households lived in housing with these problems.[12]

By other measures as well, poor households make up a disproportionate share of the households whose units were afflicted with various problems. While poor households constituted 15 percent of all households in 1985, they occupied 40 percent of the units with evidence of rats, 46 percent of those with holes in the floor, 32 percent of those with cracks in the walls, 29 percent of those with exposed wiring, and 31 percent of those with peeling paint.

The problems in housing quality faced by Hispanic and black households are especially serious and are more severe than the problems faced by white households. Hispanics and Blacks constitute a disproportionate share of the households living in substandard housing.

HUD's Definitions of Substandard Housing

The Bureau of the Census and the U.S. Department of Housing and Urban Development classify housing units according to whether the units have physical or structural deficiencies. A unit is classified as having "severe" physical problems if it has one or more of the following five deficiencies:

- It lacks, within the unit, hot or cold water or a flush toilet, or both a bathtub and a shower;
- The heating equipment broke down at least three times in the previous winter for periods of six hours or more, and this resulted in the unit being uncomfortably cold for 24 hours or more;
- The unit has no electricity, or the unit has exposed wiring *and* has a room with no working wall outlet *and* also has had three blown fuses or tripped circuit breakers in the last 90 days;
- The unit has, in public areas (such as hallways and staircases), no working light fixtures *and* loose or missing steps *and* loose or missing railings *and* no elevator;
- The unit has at least five basic maintenance problems such as water leaks, holes in the floors or ceilings, peeling paint or broken plaster, or evidence of rats or mice in the last 90 days.

A unit is classified as having "moderate physical problems" if it does not have any of the "severe problems," but has one or more of the following five deficiencies:

- On at least three occasions in the last three months, all flush toilets were broken down at the same time for at least six hours;
- The unit has unvented gas, oil, or kerosene heaters as its primary heating equipment;
- The unit lacks a sink, refrigerator, or either burners or an oven;
- The unit has three of the four hallway or staircase problems listed above; or
- The unit has at least three of the basic maintenance problems listed above.

- In 1985, Hispanics and blacks constituted 17 percent of all households, but 42 percent of households occupying substandard housing units.

- Moreover, Hispanic and black households occupied 57 percent of those units with evidence of rats, 51 percent of the units with holes in the floor, 33 percent of the units with exposed wiring, and 35 percent of the units with peeling paint or broken plaster.

As Table III indicates, Hispanic and black households were more than twice as likely to live in substandard housing as white households. This pattern held for poor and non-poor households alike. For example, some 27 percent of poor Hispanic households and 33 percent of poor black households lived in substandard housing in 1985, compared with 14 percent of poor white households.

Similarly, some 14 percent of non-poor Hispanic households and 17 percent of non-poor black households lived in substandard conditions in 1985, compared with five percent of non-poor white households.

In fact, the proportion of *non-poor* Hispanic and black households living in substandard conditions is greater than the proportion of *poor* white households that live in such housing conditions.

Table III
Households Living in Substandard Conditions, By Race, 1985

	Poor	Non-Poor
Hispanic	27.4	14.0
Black	32.6	16.7
White	13.5	4.8

Disappointing Progress Over The Past Decade

Despite continued improvement in the quality of the national housing stock over the past several decades, the number of minority households living in substandard conditions has increased in recent years. While published data on the proportion of *poor* households living in substandard housing in years prior to 1985 are unavailable, data for these years that cover all households (poor and non-poor) reveal a disturbing trend.[13]

- In 1975, some 2.7 million Hispanic and black households were living in substandard housing. By 1985, the number had grown to 3.1 million.[14]

- The number of minority *renters* living in substandard housing increased from 1.7 million in 1975 to 2.1 million in 1985. The number of minority *homeowners* living in these conditions remained unchanged at approximately one million households in both 1978 and 1985.

On the other hand, the *proportion* of all Hispanic and black households living in substandard housing, including both poor and non-poor households, declined between 1975 and 1985, from 26 percent to 21 percent.

Substandard Conditions in Public Housing Units

Poor renters who live in public housing are less likely to occupy substandard housing than are poor renters who receive no housing assistance. (This matter is explored further in the report.) At the same time, a substantial number of public housing units are old and in need of major repairs.

Poor black and Hispanic renters represent a significant portion of public housing residents. While blacks and Hispanics represent 17 percent of all U.S. households, they constitute more than half (54 percent) of public housing tenants. Consequently, improving the quality of public housing would significantly improve the housing conditions of poor black and Hispanic renters.

HUD and local public housing authorities (PHAs) own and operate about 1.3 million units of public housing. Under the public housing program, HUD provides operating subsidies to local PHAs, and the subsidies are supposed to make up the difference between the rents that occupants pay (which equal 30 percent of their adjusted incomes) and the cost of operating the units. These subsidies are intended to enable PHAs to pay for utilities, routine maintenance, and administration.

However, because operating costs have risen rapidly and operating funds provided through HUD have been insufficient to pay for major repairs, many public housing units have deteriorated over time.

A study conducted by Abt Associates under contract with HUD indicates the extent of the maintenance and repair needs of the nation's public housing stock.

- The study found that *more than half* of public housing households in 1985 lived in projects needing moderate to substantial rehabilitation just to meet HUD's minimum quality standards.

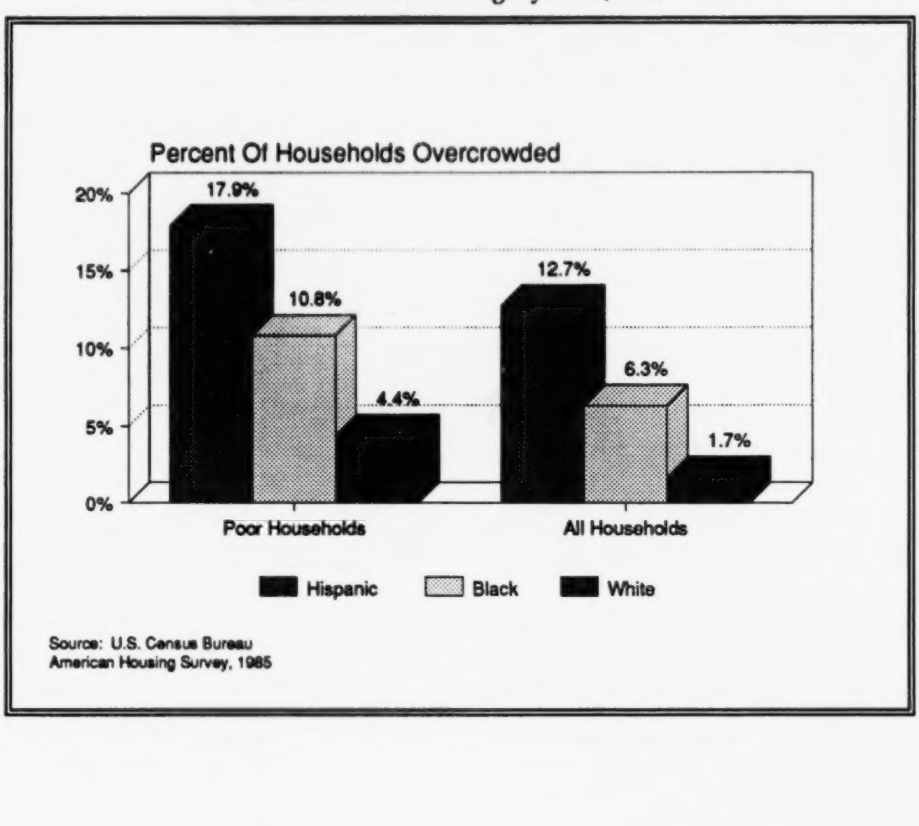
- The study estimated that the costs for major capital repairs (such as roofs and boilers) needed to bring public housing units up to HUD's minimum quality standards exceeded $20 billion (in 1986 dollars).

Despite this need, Congress appropriated only $1.65 billion for this purpose for fiscal year 1989. Moreover, the Bush administration has proposed to reduce funds for public housing repairs by nearly 40 percent, to $1 billion in fiscal year 1990.

Overcrowding

In addition to living in substandard housing conditions, many poor households -- and particularly Hispanic and black households -- live in housing that is overcrowded. According to standards established by HUD, a housing unit is considered overcrowded if it houses more than one person per room.

Figure 4
Rates of Overcrowding By Race, 1985



In 1985, some 7.5 percent of all poor households lived in overcrowded quarters. In contrast, only two percent of non-poor households lived in overcrowded conditions.

Overcrowding remains far more prevalent among minority households than among whites. Hispanic households in particular suffer from overcrowding.

- In 1985, more than one of every six poor Hispanic households -- 18 percent -- lived in overcrowded quarters, as did one-eighth -- 13 percent -- of *all* Hispanic households.

- One out of nine poor black households (11 percent) lived in overcrowded conditions, as did six percent of *all* black households.

- By contrast, fewer than one in twenty poor white households (4.4 percent), and one in sixty of *all* white households (1.7 percent), lived in overcrowded conditions in 1985.

Thus, poor Hispanic households were more than four times as likely, and poor black households more than twice as likely, to live in overcrowded conditions as were poor white households. (See Figure 4.)

The proportion of *all* Hispanic households living in overcrowded conditions, including both poor and non-poor households, exceeded both the proportion of *poor* black households and the proportion of *poor* white households living in such conditions.

Progress in Overcrowding During the Past Decade

The number of households living in overcrowded conditions has dropped only slightly since 1978, the earliest year for which such data are available. In both 1978 and 1985, roughly one million poor households lived in overcrowded conditions.

On the other hand, there has been a decline in the *proportion* of poor households living in overcrowded conditions. And while the proportion of poor minority households living in overcrowded quarters was greater than the proportion of poor white households living in such conditions in both 1978 and 1985, the proportion of poor Hispanics and blacks living in overcrowded conditions declined more than the proportion of poor white households living in such conditions.

- The percentage of all poor households living in overcrowded conditions declined from 9.8 percent in 1985 to 7.5 percent in 1985.

- The percentage of poor Hispanic households living in overcrowded quarters declined from 33 percent in 1978 to 18 percent in 1985. The percentage of poor black households in such conditions also declined, from 16 percent in 1978 to 11 percent in 1985.

- In comparison, the percentage of poor white households living in overcrowded conditions stayed about the same: 4.5 percent in 1978 and 4.4 percent in 1985.

Many in Overcrowded or Substandard Conditions Bear High Housing Costs

It should be noted that many poor households living in substandard or overcrowded conditions pay significant proportions of their incomes for the inadequate housing they occupy. Data from a recent Congressional Budget Office report indicate that an overwhelming majority of low income renters living in substandard or overcrowded conditions pay more than 30 percent of their income for housing, thereby exceeding the federal affordability standard.[15] For a significant number of low income households -- and many minority households -- housing is neither decent nor affordable.

IV. Housing Assistance for the Poor

Despite the pledge in the federal Housing Act of 1949 of "a decent home and a suitable living environment for every American family", and despite a growing shortage of affordable housing for low income households of all races, the federal government provides housing assistance to only a fraction of those renter households that are poor. Moreover, the 1980s have witnessed a declining federal commitment to assist poor households with their housing needs.

Unlike other "safety net" programs, the poor are not legally "entitled" to housing assistance even if they meet all eligibility criteria. Rather, the number of households served each year is determined by the level of funding appropriated by Congress. Applicants for housing assistance are frequently placed on waiting lists and must often wait several years before getting assistance. Many localities have closed their waiting lists because requests for assistance from eligible low income households so far outrun the available supply.

Low levels of government housing assistance disproportionately affect Hispanic and black households. Because Hispanics and blacks are more likely to be poor than are whites, they are also more likely to be in need of, and eligible for, housing assistance. Hispanics and blacks are therefore more likely to be adversely affected by low levels of housing assistance and by reductions in federal housing programs.

Census Bureau data show that fewer than one in three poor renter households benefit from such aid.

- In 1987, only 2.3 million of the 7.7 million renters with incomes below the poverty line -- 29 percent of such households -- lived in public

housing or received a rental subsidy from a federal, state, or local housing assistance program.

- In other words, more than seven of every ten poor renter households neither live in public housing nor receive a rent subsidy to help meet their housing cost burdens.

Census data also reveal that the proportion of U.S. households that are poor is much larger than the proportion of poor households that receive housing assistance.

- In 1987, some 13 percent of all households were poor, but only 4.4 percent of all households received some form of housing subsidy.

- Some 26 percent of Hispanic households were poor, but only eight percent of Hispanic households received housing assistance.

- While 32 percent of black households were poor, only 14 percent of black households received housing assistance.

A far lower proportion of poor households receive housing assistance than most other forms of basic "safety net" noncash assistance.

- Census data for 1987 show that 71 percent of poor households with school-age children received free or reduced-price school lunches, 42 percent of poor households had Medicaid coverage, and 40 percent received food stamps. In contrast, only 29 percent of poor renters -- and 19 percent of all poor households -- were aided through a housing program.[16]

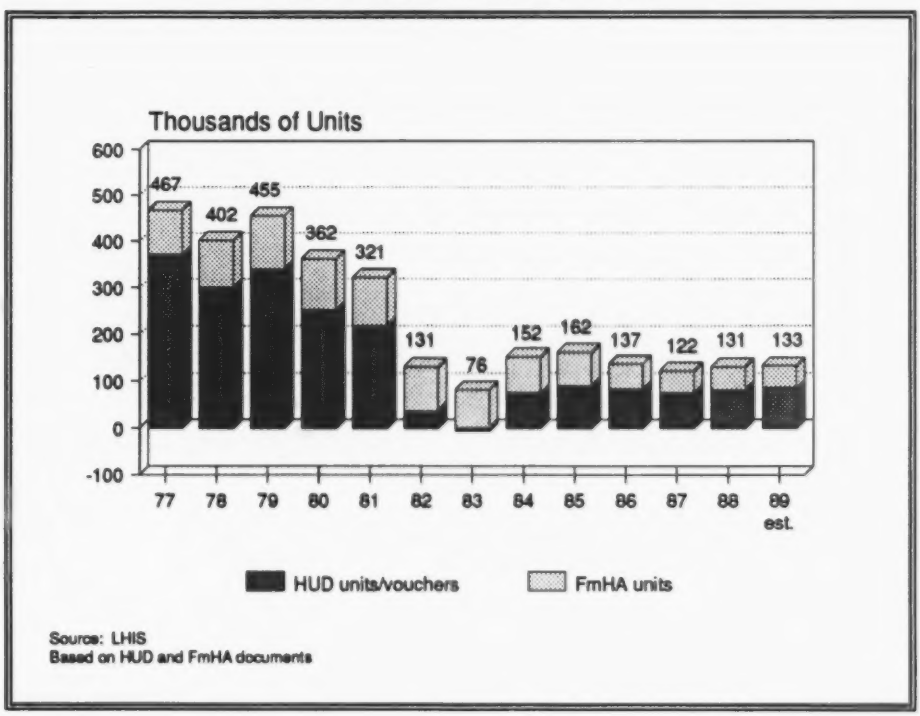
Moreover, federal housing programs have been subject to sharp reductions in the past decade. The best measure of recent trends in federal low income housing assistance is found by tracking changes in the number of additional low income households assisted through federal housing programs each year. As discussed in Chapter I, the number of low income renter households has increased markedly over the past decade, while the number of low rent housing units has declined. As a result, the number of households aided through government housing programs must rise substantially each year just to keep the shortage of affordable housing from growing.

When the federal commitment to low income housing is measured by the number of additional low income households assisted each year, a sharp retrenchment during the past decade becomes apparent. This retrenchment is

evident in both of the major sources of federal low income housing assistance – the subsidized housing programs of the U.S. Department of Housing and Urban Development (HUD), which provides most of its assistance in metropolitan areas, and the programs of the Farmer's Home Administration (FmHA) of the U.S. Department of Agriculture, which administers housing programs in rural areas. In both HUD and FmHA housing programs, the number of additional low income households assisted each year has fallen sharply during the past decade. This has played a major role in exacerbating the growing shortage of affordable housing.

- From fiscal year 1977 through fiscal year 1980, HUD made commitments to provide federal rental assistance to an average of 316,000 additional households per year. From fiscal year 1981 through fiscal year 1988, however, the number of new commitments dropped precipitously – to an average of only 82,000 per year. In other words, the number of additional low income households provided housing assistance each year fell by nearly three quarters. (See Figure 5)

Figure 5
HUD and FmHA Low Income Housing
Net Additional Units, 1977 - 1989



- If the number of additional low income households aided in the 1980s had continued at the same average rate as in the late 1970s, there would now be commitments for assistance to an additional 1.9 million low income households.

- There is a similar pattern in the housing programs of the Farmer's Home Administration. From fiscal year 1977 through fiscal year 1980, FmHA made commitments to assist an average of 106,000 additional homebuyers per year. From fiscal year 1981 through fiscal year 1988, the number of new commitments dropped to an average of 73,000 per year -- a reduction of more than 30 percent.

These sharp reductions in the number of additional households provided housing assistance each year, along with increases in the number of poor renters, have combined to swell the number of poor renter households that do not receive housing assistance.

- Congressional Budget Office data show that the total number of renter households receiving federal housing assistance grew from 2.7 million in 1979 to 4.3 million in 1988. The Census data also show that the proportion of poor renter households being assisted climbed from 22 percent in 1979 to 29 percent in 1987.

- However, the sheer growth in the number of renter households who fall below the poverty line was greater than the increase in the number of households receiving housing assistance. As a result, the number of poor renter households not receiving any housing assistance rose substantially.

- In 1979, some four million poor renter households received no housing assistance. By 1987, the number had climbed to 5.5 million, an increase of more than one third.

- The number of poor Hispanic renters not receiving assistance grew from 461,000 in 1979 to 897,000 in 1987, *an increase of 95 percent*. The number of poor black renters not receiving assistance grew 32 percent during this period, from 1.1 million to 1.4 million.

Housing Assistance Greatly Reduces Housing Problems of Poor Households

Poor households that do receive housing assistance have fewer housing problems than poor households that lack such assistance. Housing assistance

provides relief from the excessive housing cost burdens that most poor households bear.

According to a recent study prepared by the Joint Center for Housing Studies at Harvard University, the typical poor renter household receiving housing assistance spent $154 a month on housing costs in 1985. In contrast, the typical poor renter household *not* receiving housing assistance spent $306 a month on housing costs -- or about *twice as much* as the typical subsidized renter household.[17]

Minority households living in subsidized housing also spend a much smaller portion of their income for housing than their counterparts who do not receive assistance.

- The typical poor Hispanic household paid 61 percent of its income on housing, but the typical Hispanic household living in subsidized housing spent 36 percent.

- The typical poor black household spent 55 percent of its income for housing, while the typical black household receiving housing assistance spent 31 percent.

Receipt of housing assistance also substantially reduces the likelihood that a low income household will live in substandard conditions. In 1985, one of every nine households living in subsidized housing (11 percent) occupied a substandard unit, compared with one in five poor households in general (20 percent).

Moreover, while one of every six black households in subsidized housing (17 percent) occupied a substandard unit, the proportion of all poor black households living in substandard housing was nearly twice as high (33 percent). Among Hispanics, 18 percent of those receiving housing assistance lived in substandard housing, compared with 27 percent of all poor Hispanic households.

Most Federal Housing Expenditures Benefit Higher Income Families

In contrast to the decline in federal low income housing assistance, there has been a substantial increase in a form of federal housing assistance that primarily benefits middle and upper income families. Each year the federal government provides billions of dollars in benefits to homeowners by allowing them deductions -- primarily mortgage interest and property tax deductions -- from the amount of income otherwise taxable by the federal government. These deductions reduce the total amount of federal income taxes paid by homeowners and thus constitute an indirect form of federal housing subsidy for homeowners.

Such subsidies resulting from tax deductions, credits or other tax breaks are technically termed "tax expenditures," since they essentially entail government spending through the tax code.[18]

When *all* federal housing subsidies are considered -- including both direct spending through HUD and FmHA housing programs and tax expenditures provided through provisions of the Internal Revenue Code -- it becomes clear that the federal subsidies provided through tax expenditures are far greater than the subsidies provided through direct federal spending on housing programs.

- In fiscal year 1988, direct spending on federal low income housing assistance programs was $13.9 billion.

- In that same year, federal tax expenditures for housing totalled $53.9 billion.

The bulk of housing-related tax expenditures, and therefore the bulk of all federal housing subsidies, benefit those at the top end of the income spectrum.

- In 1987, roughly 75 percent of the benefits from housing-related tax expenditures went to people in the top 15 percent of the income distribution.[19]

A rough estimate of the distribution of all federal housing subsidies -- including both housing-related tax expenditures and direct spending on low income housing -- reveals a system that disproportionately benefits wealthy households. (See Table IV)

- In 1988, households with incomes below $10,000, which constituted roughly the bottom sixth of all households, received fewer than one sixth of total housing subsidies.[20]

- Meanwhile, households with incomes above $50,000 -- or roughly the top fifth of households -- received more than half of all housing subsidies.

- The average annual subsidy per household for all households with incomes below $10,000 was approximately $600, while the average annual subsidy for all households with incomes above $50,000 was about $2,000, more than three times as high.

Table IV.
Estimated Distribution of Housing Subsidies
by Household Income, 1988

(Subsidies in billions)

Annual Income	Tax Expenditures	Low Income Housing	Total Amount	% of Total
Under $10,000	$0.1	$10.1	$10.1	15.7%
$10,000 to $20,000	$1.1	$2.7	$3.8	5.9%
$20,000 to $30,000	$3.8	$1.0	$4.9	7.6%
$30,000 to $40,000	$5.4	$0.0	$5.4	8.4%
$40,000 to $50,000	$6.6	$0.0	$6.6	10.2%
$50,000 and over	$33.6	$0.0	$33.6	52.2%

Source: LIHIS calculations based on Joint Tax Committee, and OMB documents.

As noted earlier, Hispanics and blacks are much more likely to have low incomes than are whites. Because the system of federal housing subsidies, including both tax expenditures and direct low income housing assistance, disproportionately benefits higher income households, it is less likely to benefit Hispanic and black households than it is to benefit white households.

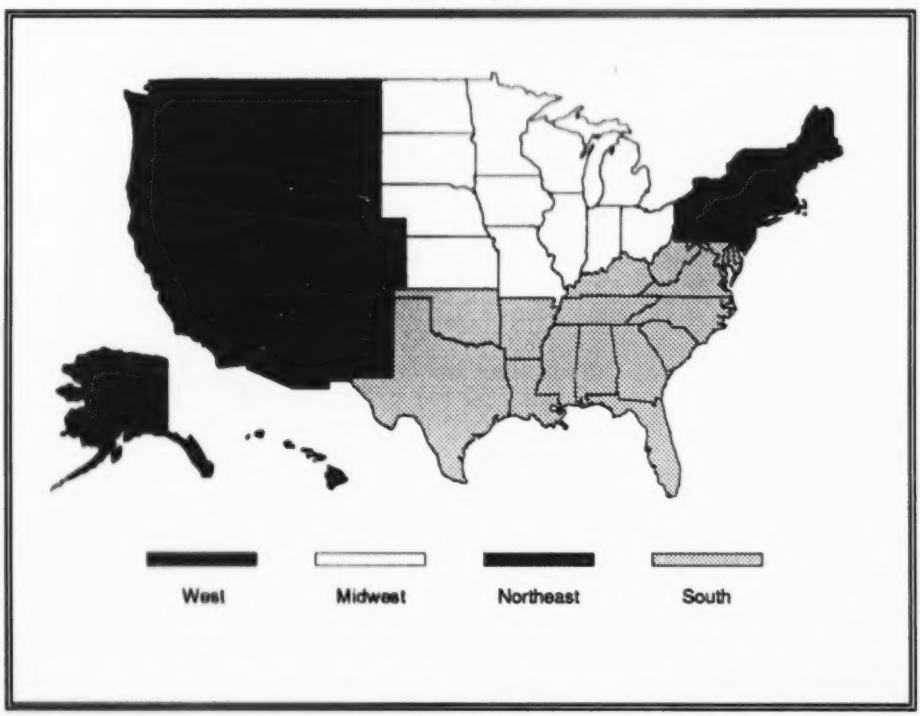
- More than one of every four Hispanic households (26 percent) and one in three black households (36 percent) had an income of $10,000 or less in 1987. In contrast, some 16 percent of white households had income at this level.

- Only 10 percent of Hispanic households and eight percent of black households had incomes of $50,000 or more -- but 20 percent of white households had incomes this high.[21]

V. The Housing Problems of Hispanics and Blacks by Region

The Census Bureau divides the United States into four regions: Northeast, Midwest, South, and West. Both the distribution of Hispanic and black households and the housing problems faced by these households vary significantly by region.

Figure 6
Census Regions



Hispanic households are concentrated in the South and West. Nearly three of every four Hispanic households live in either the South (40 percent) or the West (32 percent). (Note that the Census Bureau defines Texas as part of the South.) By contrast, just one in five Hispanic households lives in the Northeast, and only seven percent live in the Midwest. (See Table V.)

However, *poor* Hispanic households are nearly equally divided between the West, South, and Northeast. This occurs because Hispanic households in the Northeast, which are predominantly Puerto Rican, are much more likely to be poor than Hispanic households in other regions.

- Some 40 percent of Hispanics in the Northeast were poor in 1985, compared with 30 percent in the South and 20 percent in both the West and the Midwest.

- As a result, poor Hispanics lived in almost equal numbers in the South, West, and Northeast: Some 29 percent of poor Hispanics lived in the West, 30 percent in the Northeast, and 36 percent in the South.

Table V
Regional Distribution of Hispanic and Black Households, 1985

	HISPANIC		BLACK	
	All Households	Poor Households	All Households	Poor Households
Northeast	21.0%	30.3%	18.8%	18.7%
Midwest	7.2	5.2	19.8	21.5
South	32.0	35.9	52.1	52.4
West	39.8	28.6	9.3	7.4

As would be expected, the highest concentration of black households is in the South. (See Table V.)

- Some 52 percent of all black households in the U.S. lived in the South in 1985. Approximately one of every five black households lived in the Midwest (20 percent), while another one-fifth of black households

resided in the Northeast (19 percent). Only nine percent of black households lived in the West.

- The distribution of poor black households follows a similar pattern, with some 52 percent living in the South and seven percent living in the West.

Substandard Housing Most Prevalent in the South

Households living in the South are most likely to occupy substandard housing. This is true for both Hispanic and black households (and for white households as well).

- In 1985, some 30 percent of all black households living in the South (including both poor and non-poor households) lived in substandard housing, compared with 20 percent of black households in the Northeast and 10 percent in the Midwest and West.

- Similarly, more than one in every four Hispanic households living in the South (26 percent) lived in substandard housing in 1985. The proportion of Hispanics living in substandard housing was nearly as high in the Northeast, where 24 percent of Hispanic households lived in such conditions. In contrast, one in nine Hispanic households in the West (11 percent) lived in such conditions.

Although white households are less likely to occupy substandard housing than are Hispanic and black households, those whites who do live in substandard conditions are also concentrated in the South. One of every eleven white households in the South (nine percent) occupied substandard housing in 1985. In comparison, five percent of white households living in the Northeast, and four percent in both the South and West, lived in substandard conditions in 1985.

As a result, a very high proportion of the households living in substandard housing resided in the South. Some 70 percent of all black households occupying substandard housing in 1985 lived in the South. Nearly half of all Hispanic and white households living in substandard housing lived in the South.

Overcrowding Highest in the West and South

Among Hispanic and black households, overcrowding is most common in the South and West. One in six Hispanic households in the West (16 percent) and

one in eight in the South (13 percent) lived in overcrowded conditions in 1985. As a result, roughly half of the Hispanic households living in overcrowded quarters (51 percent) were located in the West, while 32 percent lived in the South.

While blacks are less likely to live in overcrowded housing than are Hispanics, the bulk of those living in such conditions were located in the South. Three of every five black households living in overcrowded housing -- 61 percent -- lived in the South. (As noted, more than half of all black households reside in the South.)

Housing Cost Burdens By Region

Households living in the West and Northeast are the most likely to bear high housing cost burdens. This pattern holds true for both Hispanic and black households.

In 1985, some 52 percent of Hispanic households living in the Northeast spent at least 30 percent of their income on housing. Roughly 40 percent of Hispanics living in the South and West bore housing costs of this magnitude, as did 30 percent of Hispanics living in the Midwest.

Nevertheless, of those Hispanic households bearing "unaffordable" housing costs in 1985 (i.e., housing costs exceeding 30 percent of income), some 26 percent lived in the Northeast, 30 percent in the South, and 38 percent in the West.

In every region of the country, roughly two of every five black households bore housing cost burdens of at least 30 percent of income. As a result, the distribution of black households bearing "unaffordable" housing costs is similar to the distribution of the black population in general. In 1985, about half (49 percent) of the black households that spent 30 percent or more of their income on housing lived in the South.

VI. Characteristics of Poor Households

Of the 13.3 million poor households in the U.S. in 1985, some 8.1 million -- or 61 percent -- were white. Whites constituted 74 percent of poor homeowner households and 53 percent of poor renter households.

Yet while whites comprised a majority of poor households, blacks and Hispanics accounted for a highly disproportionate share of these households.

- Hispanics comprised six percent of all households, but 11 percent of the poor households. (Hispanics constituted 14 percent of poor renter households and six percent of poor homeowner households.)

- Blacks comprised 11 percent of all households, but 26 percent of the poor households. (They accounted for 31 percent of poor renter households and 19 percent of poor homeowner households.)

As earlier noted, Hispanic and black households are much more likely to be poor than are white households. In 1985, some 28 percent of Hispanic households had incomes below the poverty line, as did 35 percent of black households. In contrast, 11 percent of white households were poor. Hispanic and black households thus were more than twice as likely to be poor as white households.

The characteristics of poor black, Hispanic and white households differ in a number of ways. For example, poor whites are more likely to be headed by an elderly person and less likely to have children than poor Hispanic and black households.

- In 1985, more than one in three poor white households was headed by an elderly person (36 percent), and the typical poor white household head was 53 years old. Nearly two in three poor white households -- 64 percent -- had no children.

- In contrast, only one in five poor black households was headed by an elderly person, while the typical poor black household was headed by someone 44 years old. More than half of all poor black households (56 percent) had children.

- Poor Hispanic households were the least likely to be elderly, and the most likely to have children. Some 16 percent of poor Hispanic households were elderly in 1985, and the typical poor Hispanic household head was 40 years old. Nearly two of every three poor Hispanic households (65 percent) had children.

- In 1985, some 49 percent of poor families with children were Hispanic or black households.

Poor black, Hispanic and white households also differed in their proportions of married-couple and female-headed families. Of the poor white households that contained two or more people, 64 percent were comprised of married-couple families or male-headed families. Female-headed families were a minority among this group. Similarly, a majority of poor Hispanic households of two or more people -- 55 percent -- were headed by a married couple or a man. By contrast, among poor black households of two or more people, a majority were female-headed families (69 percent).

Among all poor households, a large majority of the single-person households consisted of women living alone.

VII. Conclusion

For most low income households, housing has become an increasingly unaffordable commodity. With nearly four of every five poor households paying more than 30 percent of their incomes for housing -- and with substantial numbers of the poor paying more than 50 percent and even 70 percent -- little money is left for other necessities.

High housing cost burdens place poor households at risk of lacking other necessities. Unlike expenditures for food or clothing, rent or mortgage payments cannot be readily reduced. Most low income households cannot easily choose to buy less housing in a given month to free up funds for other basic expenses. Rather, a fixed rent or mortgage payment typically is paid in one lump sum each month.

The extremely high housing cost burdens faced by most poor households have serious implications. For example, the severe shortage of housing that is affordable to poor households is likely to have contributed substantially to the growing problem of homelessness in the 1980s.

In addition, these extraordinary housing cost burdens are likely to have intensified related problems such as the incidence of hunger. The likelihood that a poor household will be without adequate food for part of a month is made considerably greater when the household's rent consumes so much of its income that the household has too little money left to buy enough food to last through the month.

High housing cost burdens also leave poor families especially vulnerable to unplanned economic disruption. An unexpected medical expense, a job lay-off or

a delay in a monthly welfare check can lead to a missed rent payment, an unpaid utility bill, or a shortage of groceries toward the end of the month. All of these events can have significant consequences for poor households.

Affordability is the most serious housing problem faced by poor households -- including Hispanic, black, and white households. However, while poor Hispanic and black households bear housing cost burdens that are similar to those borne by poor white households, they more often live in units that are overcrowded or of lower quality than those occupied by poor white households.

Most important, Hispanic and black households are more than twice as likely to be poor as are white households, and therefore are much more likely to face *all* of these housing problems, including high housing cost burdens, than are their white counterparts.

Government commitments to assisting poor households with housing needs have been limited. Currently, fewer than one in three poor renter households receives assistance through a federal, state, or local public or subsidized housing program. While developments in the private economy have created an increased need for government housing assistance in the 1980s (as a result of increases in poverty and decreases in the low rent housing stock), the federal government has retrenched instead. Had the number of units added to the subsidized housing stock in the 1980s continued at the same rate as in the late 1970s, commitments to assist an additional 1.9 million low income households would have been made.

The declining federal commitment to housing assistance for low income households has had a serious and negative impact on the Hispanic and black populations, since a large portion of these populations are poor and in need of such assistance.

The future now looks ominous for affordable housing. Projections of national trends suggest that just as affordable housing problems worsened sharply for low income and minority households between the mid-1970s and the mid-1980s, so too are they likely to deteriorate further in the years ahead unless major changes are made in government policies and in the actions of the private sector.

Notes

1. Until 1981, housing was considered affordable by HUD if it consumed no more than 25 percent of adjusted household income. This standard was raised to 30 percent of adjusted income in conjunction with federal budget reductions enacted in 1981. Adjustments in household income include: a deduction of $480 a year for each dependent child under 18, each disabled or handicapped family member, and each full-time student over 18 living at home; a deduction of $400 a year for an elderly family; and a deduction for the amount by which the sum of the following household expenses exceeds three percent of total household income: medical care for elderly family members, care and equipment for handicapped family members which allow family members to work or go to school, and child care needed to allow family members to work or go to school. Cost burden figures for this report come from the Census Bureau's American Housing Survey, which includes cost estimates based on unadjusted income figures only.

2. This report uses the definition of "household" used by the Census Bureau in the American Housing Survey, which consists of all people who occupy a housing unit. A household may consist of a single family, one person living alone, two or more families living together, or any other group of related or unrelated people who share living arrangements. The Census Bureau defines a "housing unit" as "a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters."

3. The median (or typical) poor household is the household whose income falls exactly in the middle of the income distribution of all poor households. Thus, half of all poor households have incomes below that of the median poor household, while the other half of poor households have incomes exceeding that of the median poor household.

4. Published American Housing Survey data provide only limited information on poor minority homeowners and renters. This report thus focuses primarily on all poor black and Hispanic households, without distinguishing between owners and renters. Furthermore, published AHS data do not provide information on Hispanic households by their national origin, such as Puerto Ricans or Mexican-Americans.

5. The American Housing Survey includes a number of households who reported that they paid no cash rent, who failed to report their mortgage payment, or who reported zero or negative income. In its published data tables, the AHS does not calculate the monthly housing costs as a percentage of income for these types of households. To be consistent with the American Housing Survey, all calculations in this report of the proportion of households paying a given percentage of their incomes for housing also exclude these households.

6. The Census Bureau data indicate that the median income of poor minority households is less than $5,000 but do not provide a precise figure. However, nearly three fifths of all poor Hispanic and black households had incomes of less than $5,000 in 1985. Also, two million poor minority households -- or two-fifths of all such households -- had incomes of less than half of the poverty line (or less than $4,300 for a family of three in 1985).

7. All adjustments for inflation use the Consumer Price Index experimental series for urban wage earners (CPI-X) as published in the *Economics Reports of the President, 1983* and *1986* rather than the official Consumer Price Index published by the Bureau of Labor Statistics (BLS). In the late 1970s, the official Consumer Price Index overstated inflation in consumer prices because of an overestimation of the rise in housing costs. The BLS corrected this problem in 1983 but did not revise the CPI for earlier years. The CPI-X series incorporates the corrected methodology for the years prior to 1983. For 1983 and thereafter, the official CPI and the CPI-X use the same methodology and provide the same inflation estimates. For the adjustment noted in this paragraph, the results would be the same using the official CPI or the CPI-X.

8. As used here, household income includes cash income from all sources, including wages, public assistance, unemployment insurance, and Social Security benefits. It does not include non-cash benefits, such as food stamps or medical insurance. In computing housing cost burdens as a percentage of income, the Census Bureau uses what it terms "the family and primary individual" measure of household income. The same measure of household income is used throughout this report.

9. Of 14.8 million black and Hispanic households in 1985, some 169,000 (1.1 percent) were classified as both black and Hispanic. Of households other than black and Hispanic households, 97 percent were white. The remaining three percent include those of Asian, Pacific Islander, American Indian, Aleut, and Eskimo descent, as well as a number of other racial and ethnic groups.

10. While the data reflected here are for 1985 (the latest year for which Census data on housing cost burdens are available), the housing cost burdens of low income households are not likely to be appreciably different today than in 1985. Census data show that the average income of the poorest fifth of all U.S families rose 11 percent from 1985 to 1987 (without adjustment for inflation), but that residential rental costs rose 10.1 percent during the same period. Moreover, this 10.1 percent increase in rent applies to the entire rental housing market, rather than just to the low income housing market. Since most new housing construction has been aimed at middle or upper income families, it is likely that the rental costs faced by low income households rose more rapidly during this period than the 10.1 percent general rental cost increase would indicate.

    In addition, data compiled by the Congressional Budget Office on "adjusted family incomes" (which reflect family incomes adjusted by family size) show that family income rose little, stagnated, or even fell from 1985 to 1987 for several key low income groups. For example, the incomes of poor single-parent families fell during this period, after adjustment for inflation, as did the incomes of poor families with children in which the family head is under age 25. For low income families in which the family head was aged 25 to 34, incomes stagnated.

11. This comparison uses a standard of 35 percent of income because the Census data for 1978 do not provide a comparable 30 percent of income cut-off. The cost burden figures for 1978 are provided from unpublished tabulations of the Census Bureau's 1978 *Annual Housing Survey*.

12. For both poor and non-poor households whose units had physical deficiencies, the deficiencies were more likely to be "moderate" than "severe."

13. Irby Iredia, "Attaining the Housing Goal?," U.S. Department of Housing and Urban Development, Housing and Demographic Analysis Division, Office of Economic Affairs, July 1986. This is an independent paper, and its views do not necessarily represent those of HUD.

14. According to HUD officials, the number of substandard housing units reported in the 1985 survey is probably lower than the actual number of such units. Due to the wording of one question in the 1985 survey, HUD officials believe that not all cases of housing quality problems were reported by respondents. Thus, the 1985 survey probably undercounts the incidence of substandard housing in 1985. The wording of the question was revised for the surveys to be conducted in 1989 and beyond. There are no such problems with the 1975 survey data.

15. *Current Housing Problems and Possible Federal Responses*, Congressional Budget Office, December 1988. According to this report, more than 80 percent of "very low income" renters who live in overcrowded or substandard conditions (or both) also pay more than 30 percent of their income for housing.

16. The percentage of *eligible* households (rather than of all poor households) receiving benefits in these programs may be somewhat higher, particularly in programs that have assets limits that make some low income households ineligible. For example, the Congressional Budget Office recently estimated that 41 to 58 percent of all eligible households (and between 51 and 66 percent of all eligible individuals) receive food stamps. By contrast the Congressional Budget Office estimates that only 25 to 33 percent of the eligible low income households received housing assistance in 1988. These various participation estimates include participation by households that have incomes above the poverty line but that qualify for the programs. The estimates exclude households that have incomes below the poverty line but that do not qualify, for reasons such as failing to meet program assets limits.

17. Apgar, William, and Denise DiPasquale, *The State of the Nation's Housing: 1989*, The Joint Center for Housing Studies of Harvard University, Table 12. Note that while the data used in this study come from the 1985 American Housing Survey, the measurement of poverty in the Harvard study differs slightly from the measurement used in the AHS, due to technical adjustments made in the Harvard Study.

18. This section on housing-related tax expenditures relies on analyses conducted by Cushing N. Dolbeare for the Low Income Housing Information Service (LIHIS).

19. *Estimates of Federal Tax Expenditures for Fiscal Years 1988-1992*, prepared by the staff of the Congressional Joint Committee on Taxation, February 27, 1987. The Joint Tax Committee's estimates are based on a model using tax laws in effect through the end of 1986 and previous historical tax return patterns.

20. The income distribution of households used here is based on 1987 Current Population Survey data. Since incomes rose in 1988, this assumption would slightly overestimate the number of households at the lower end of the income distribution and slightly underestimate the number of households at the higher end of the distribution.

21. From Bureau of the Census, *Money Income of Households, Families, and Persons in the United States: 1987*, Table 2.